

TOM DAVIS, VIRGINIA,
CHAIRMAN

CHRISTOPHER SHAYS, CONNECTICUT
DAN BURTON, INDIANA
ILEANA ROS-LEHTINEN, FLORIDA
JOHN M. McHUGH, NEW YORK
JOHN L. MICA, FLORIDA
GIL GUTKNECHT, MINNESOTA
MARK E. SOUDER, INDIANA
STEVEN C. LATOURETTE, OHIO
TODD RUSSELL PLATTS, PENNSYLVANIA
CHRIS CANNON, UTAH
JOHN J. DUNCAN, JR., TENNESSEE
CANDICE MILLER, MICHIGAN
MICHAEL R. TURNER, OHIO
DARRELL ISSA, CALIFORNIA
VIRGINIA BROWN-WAITE, FLORIDA
JON C. PORTER, NEVADA
KENNY MARCHANT, TEXAS
LYNN A. WESTMORELAND, GEORGIA
PATRICK T. McHENRY, NORTH CAROLINA
CHARLES W. DENT, PENNSYLVANIA
VIRGINIA FOXX, NORTH CAROLINA

ONE HUNDRED NINTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
FACSIMILE (202) 225-3974
MINORITY (202) 225-5051
TTY (202) 225-6852

<http://reform.house.gov>

HENRY A. WAXMAN, CALIFORNIA,
RANKING MINORITY MEMBER

TOM LANTOS, CALIFORNIA
MAJOR R. OWENS, NEW YORK
EDOLPHUS TOWNS, NEW YORK
PAUL E. KANJORSKI, PENNSYLVANIA
CAROLYN B. MALONEY, NEW YORK
ELIJAH E. CUMMINGS, MARYLAND
DENNIS J. KUCINICH, OHIO
DANNY K. DAVIS, ILLINOIS
WM. LACY CLAY, MISSOURI
DIANE E. WATSON, CALIFORNIA
STEPHEN F. LYNCH, MASSACHUSETTS
CHRIS VAN HOLLEN, MARYLAND
LINDA T. SANCHEZ, CALIFORNIA
C.A. DUTCH RUPPERSBERGER,
MARYLAND
BRIAN HIGGINS, NEW YORK
ELEANOR HOLMES NORTON,
DISTRICT OF COLUMBIA

BERNARD SANDERS, VERMONT,
INDEPENDENT

SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

Congressman Michael R. Turner, Chairman



OVERSIGHT HEARING

STATEMENT BY MICHAEL R. TURNER, CHAIRMAN

Hearing Topic: *"Moving the CDBG Program Forward: A Look at the Administration's Reform Proposal. Where Do We Go From Here?"*

10:00 a.m., Tuesday, June 27, 2006
Room 2154 Rayburn House Office Building

OPENING STATEMENT

Welcome to the Subcommittee on Federalism and the Census' oversight hearing entitled *"Moving the CDBG Program Forward: A Look at the Administration's Reform Proposal. Where Do We Go From Here?"* This is a follow up to the Subcommittee's series of hearings held regarding the Community Development Block Grant (CDBG) program and our Committee Report on the hearings and the program.¹

The Community Development Block Grant program, or CDBG, is one of the largest federal direct block grant programs in existence. State and local governments use CDBG grant moneys to fund various housing, community development, neighborhood revitalization, economic development, and public service provision projects. For over thirty years, the CDBG Program has been a critical tool in the arsenal of cities to help create livable communities for individuals and families. Without question, the program provides vital funds for addressing poverty as well as community development needs, from eradicating blight to providing building infrastructure.

¹ BRINGING COMMUNITIES INTO THE 21ST CENTURY: A REPORT ON IMPROVING THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (Report 109-365).

While CDBG is a valuable tool that enables States and local governments to accomplish many of the objectives outlined in the original authorization, the program exhibits several problems that require remedy.

Since 1978, the factors used in calculating poverty and community development need have remained constant while the demographic composition of the nation has changed dramatically. In particular, the number of entitlement communities has grown. In FY2004, there were more than 1,100 designated entitlement communities – more than 250 new entitlement communities were certified since 1993 alone as compared to only 128 new entitlement community designations between 1982 and 1993. And while the number of communities sharing the entitlement portion of CDBG funds continues to grow, the overall funding of the program has not kept pace. Thus, a larger portion of the population is sharing a relatively static portion of CDBG funds, resulting in smaller per capita grants per jurisdiction. At the same time, the number of non-entitlement communities grows smaller, effectively increasing their share of the 30 percent portion of CDBG.

Additional questions of fundamental fairness have arisen in recent years. First, there are instances of “richer” communities receiving higher per capita awards than “poorer” communities. Second, similarly situated communities often get disparate per capita awards.

The Subcommittee held five hearings in 2005 examining the CDBG program. Those hearings culminated in an extensive report, which was unanimously voted out of the full Committee in December. The report contained numerous findings on the effectiveness of the program and recommendations for improved fairness, efficiency, efficacy, and program administration.

These recommendations were formed with significant government partner and stakeholder input. In particular, the report focused on the growing inequity of the grant formula over time, the subjective nature of the needs index, and the apparent lack of grantee performance measures and related enforcement capability.

In another attempt to address some of these issues, the Administration proposed legislation to reform the CDBG program. This proposal, the Community Development Block Grant Reform Act of 2006, chiefly addresses three areas: the grant formula, performance measures, and incentives for quality community development.

First, the Act eliminates the two dualities of the grant formula. Currently, grant funds are disbursed to entitlement and nonentitlement communities based on two formulas. By law, the collective pot of CDBG funds must be split between the entitlement and nonentitlement communities 70 percent to 30 percent. Under the CDBG Reform Act, all communities would be treated as “formula grantees” rather than entitlement and nonentitlement communities with separate grant allocation calculations.

Second, the Act directs the Secretary to establish new performance measures and grantee accountability standards. The Act specifies that State grantees must submit for a approval a housing-affordability strategy. All other grantees must submit a “Performance Plan,” which must include specific performance measure objectives. The Act also directs the Secretary to perform periodic reviews of grantee activity and use of funds. If the Secretary finds grantee performance inadequate, the Secretary may reduce or limit block grant assistance.

Third, the Act authorizes \$200,000,000 for a new grant program – the Challenge Grant Fund. The Challenge Grant Fund would reward grantees with additional funds to be used “in neighborhood revitalization strategy areas as a targeted strategy for activities eligible under this title that expand economic opportunities.”

A grantee must demonstrate “measurable progress” toward certain goals using CDBG funds. Eligible entities will be ranked on their performance and funds awarded accordingly.

We commend the Administration for recognizing that CDBG would be most effective remaining at HUD. We also applaud the Administration’s recognition that, while an important and beneficial program, there is room for improvement within the CDBG program. At the same time, we are concerned that formula reform is the greatest and most complex of the reform challenges and cannot be undertaken lightly. Additionally, there are a number of non-controversial reforms identified in the Committee’s CDBG Report that were not mentioned in the Administration’s reform proposal. We are here today to explore the Administration’s reform proposal in depth. We hope to discover more about the decision-making process and the reasoning behind the choices made in crafting the reform proposal.

To help us with these questions today, we have witnesses from both HUD and GAO. We welcome the Honorable Pamela Hughes Patenaude, Assistant Secretary of the Office of Community Planning and Development at the U.S. Department of Housing and Urban Development; Stanley J. Czerwinski, Director of Intergovernmental Relations for Strategic Issues at the U.S. Government Accountability Office; and Michael Springer, Assistant Director of Strategic Issues at the U.S. Government Accountability Office.

I look forward to the expert testimony we will receive today from both HUD and GAO. Thank you all for your time today and welcome.

#####